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Fiscal Year 2016

New Jersey Senate Budget Committee, Budget Testimony

Harold J. Wirths, Commissioner

New Jersey Department of Labor and Workforce Development

Good Afternoon Chairman Sarlo, Vice-Chairman Stack and honored members of the Committee

Thank you for this opportunity to discuss Governor Christie's 2016 budget request for the Department of Labor and Workforce Development.

Allow me to begin by introducing some of the executive staff members sitting at the table with me today _ just a few of the many hardworking people in my department who are responsible for the concerted effort that goes into the delivery of our services and the many successes at the Department of Labor, some of which I will outline shortly.

With me are:

- Deputy Commissioner Dr. Aaron Fichtner
- Assistant Commissioner/Chief Financial Officer Joe Latoof
- And Assistant Commissioner of Income Security Ronald Marino

Seated behind me are additional members of my senior staff who continue to help in our daily efforts to provide employment services and other assistance to the residents of New Jersey.

ECONOMIC DATA AND OUTLOOK

I want to begin today by discussing New Jersey's growth in employment since the Great Recession. You have had some questions for others who came before the committee, and I think it is important that I provide you with some important data. According to the most recent, reliable report from the federal Bureau of Labor Statistics, the Garden State has been witnessing steady employment growth over these past five years.

Our recovery from the Great Recession was certainly slowed by Superstorm Sandy and, more recently, the realignment of the casino industry in Atlantic City. That cannot be ignored by anyone who chooses to compare us to any neighboring state that did not suffer such uncontrollable setbacks. Yet, as the most recent benchmark data from the BLSs revealed, New Jersey's employment recovery has been more significant than previously reported.

We have had private sector employment growth for each of the past five years, and as the Wall Street Journal recently stated in a column about the state, that is the right type of employment growth. No one wants to see anyone lose a job, but we also know that new jobs must come from the private sector, not government.

The employment growth in 2013 and 2014 was significantly higher, up by 74,600 total nonfarm jobs instead of the 47,800 initially reported, according to the BLS benchmark report released last month. That information is based on data gathered by the BLS through a more thorough review of employer tax records that was concluded in March.

The month-to-month jobs reports that grab headlines are preliminary data derived from two federal surveys: one of New Jersey households and the other of New Jersey employers. You rarely see anything in the press about it, but each monthly survey is often off-the-mark and the data gets adjusted in the following months, and then the benchmarking is done every year to confirm _ or as in New Jersey's case _ significantly revise the data from the prior year.

The BLS benchmarking also revealed that, for another consecutive year, New Jersey's unemployment rate was overestimated in the monthly surveys. The record has been revised yet again, going back into 2013 and showing that we have had a steady drop in the unemployment rate almost every month since mid-2012 rather than the higher, volatile ups and down the monthly reports had previously suggested.

I raise these points as we again look at monthly reports for 2015 that, while showing continued employment growth, also give a more volatile impression of that growth and of the unemployment rate. In short, we must focus on the long-term data, and the long term data shows New Jersey experiencing steady improvements, steady employment growth and a steady decline in unemployment despite Sandy and the changing casino industry in Atlantic City.

And the improved data cannot be dismissed as a factor of workers leaving our labor force, which we have seen on the national level. In fact, New Jersey's labor force participation rate continues to hover around 1.5 points above the national rate, which is significant. It demonstrates the hopeful prospects of the general public in finding employment in the state.

I am not saying we are done here. We have more work to do. I am as impatient as anyone for the day when we can talk about New Jersey's unemployment rate being lower than the national rate. I am eager for the day when I can discuss how the skills held by everyone in our talented workforce is not only affording people promising careers, but also helping to drive the future of our economy by allowing our major industries to prosper.

RE-EMPLOYMENT SERVICES

Still, government cannot create those kinds of jobs. Only the private sector can do that. What we can do at the Department of Labor and Workforce Development is to continue this administration's employer-focused approach to getting people re-employed _ and we do that by helping unemployed people obtain the skills identified as crucial to the employers in our major industry clusters.

We continue to go to employers to identify those specific skills and then Labor provides the needed support and training for these skills through our grants, programs and partnerships. We have tried to put our workforce and our students on the proper path to obtain the skills that are in demand among the

seven industry clusters that pay more than two-thirds of New Jersey's wages and already employ more than two thirds of the people working here.

So far in Fiscal Year 2015, our Skills4Jersey program awarded more than \$17M to employers to train 54,515 workers. We are now able to train more people by better utilizing our resources. We anticipate awarding another \$2.7 million in grants before the end of June.

We believe the employer-focused formula works for workers and our economy as we give people the skills our employers say they need to find in a job applicant.

We are continually looking for new, innovative efforts to improve our services to job-seekers. As a result, I am happy to announce today that my Department is launching a new partnership with local libraries across the state to provide assistance to an even larger number of job seekers.

This \$2.5 million initiative will provide grants to 26 libraries across the state, to be selected competitively, that will serve as access points for our workforce services. The libraries will distribute job search information and will assist job seekers to use the Jobs4Jersey.com website to connect them to jobs. Our Department will provide training and support to library staff so that they can effectively help their local residents.

We will also provide grants to 10 libraries across the state to provide literacy and basic skills training in partnership with their local community college. This effort will ensure that more New Jerseyans can develop the basic skills they need to find a job.

When Governor Christie declared New Jersey an Employment First state in April 2012, we reinvigorated our efforts to assist people with disabilities in finding employment in our communities. I am proud to say that last year, our Division of Vocational Rehabilitation Services placed 4,339 individuals with disabilities into competitive, integrated employment. This marked a new record for our state, one we hope to continue.

ATLANTIC CITY

This past year, we faced another challenge and took action _ to re-train and re-employ those who were impacted by the casino closings in Atlantic City. My Department's rapid response teams were in touch with employers and workers, offering and providing assistance well before any of the casinos closed.

When the day finally came and they shut their doors, we were there again, in force, with an unprecedented deployment of staff that immediately connected casino workers to unemployment insurance benefits, training programs, and social services.

All of this was done in partnership with the casino unions. We also hosted the largest single job fair in our Department's history at the Atlantic City Convention Center, where more than 1,500 people signed-up to meet with more than 60 employers we brought in.

My Department was awarded a \$29.4M National Emergency Grant which we received in mid-January 2015. We put the funding to use quickly, setting up staff early last month at the Atlantic Cape Community College where we continue to bring in unemployed workers and put them into a renewed re-employment process.

The Atlantic City Re-Employment initiative focuses on preparing unemployed workers for jobs that are in demand by regional employers through partnerships with the state and local workforce investment boards, community colleges, employers, industry associations and New Jersey's Talent Networks.

Presently, workers impacted by the layoffs from Revel, Trump Plaza, Show Boat and Trump Taj Mahal casinos in Atlantic City, including restaurants and businesses located inside those casinos are completing small group orientation sessions to lay the groundwork for individualized re-employment plans and training.

We have set up a toll free information line, email address, and webpage (Jobs4Jersey/ACreEmployment) for the public on NEG services.

Workers who do not qualify for services under the National Emergency grant, are never turned away without help, and can take advantage of the One-Stop Career Center services available through our Department. We will help every possible worker we can who has been laid off because of the casino closings in Atlantic City.

TRUST FUND

I would like to discuss with this committee, the Unemployment Insurance Trust Fund. Today, I am proud to announce that the Unemployment Insurance Trust Fund has remained in the black, as promised, since we rendered it solvent last May, and by the end of next month we will have a balance of over \$1 billion. This will be the highest balance in over 7 years.

When I came before you last spring, I announced that we had brought into solvency a fund that was declared broke in 2009. The Trust Fund is a very important safety net that was rendered insolvent by two decades of diversions totaling \$4.6 billion, along with a severe economic recession and high unemployment levels requiring continued benefit payments. The state had to borrow from the federal government to make the mounting payments, and that triggered automatic tax increases and interest fees under state and federal law.

By April 2011, the deficit had reached a peak of \$2.1 billion.

Employers, the very people we rely on to lift up our economy and to create the best of employment opportunities in New Jersey, were the ones burdened by the tax increases and interest payments. Thanks to Governor Chris Christie and the state Legislature, the impact of most of those automatic tax hikes and fees were lessened annually, while we worked to bring the fund into solvency.

Now, we continue on the path to providing New Jersey employers a \$1 billion reduction in taxes and fees over the next few years. By returning the fund to the black, we are reducing the financial burdens on the very people we are relying on for new jobs. We plan to keep it solvent.

Major reforms, particularly the anti-fraud efforts my department has undertaken under the Christie Administration to maintain the Fund's integrity, have saved more than \$800 million from being diverted from the Fund.

- Approximately \$216 million was saved from July 2010 through last February after the administration, with the approval and assistance of the Legislature, toughened the restrictions on people collecting unemployment benefits after being fired for misconduct.
- Much more _ \$592 million _ has been saved since March 2011 through the anti-fraud programs my department put into motion and continue to expand.
- These initiatives continue to be recognized by the U.S. Department of Labor as leading the nation in ensuring that the only people to collect Unemployment Insurance benefits are those who are entitled to them.
- I was recently asked to Chair the National UI Integrity Council.

The Unemployment Insurance Trust Fund was established to assist New Jersey's hard working people during hard times. It should never be an easy target for fraudsters, the majority of whom appear to be people trying to grab some extra payments as they roll off the Unemployment Insurance rolls and begin a new job.

Cross-checking people on the Unemployment Insurance rolls against the National Directory of New Hires to determine if claimants have returned to work continues to yield the most common form of fraud. We still catch about 1,600 claims each week filed by people trying to grab money from the Fund after returning to work. The simple process of checking them against the New Hire directory has prevented more than \$416 million from leaving the coffers since we began this in March 2011.

And, while we are focused on stopping the fraud before money goes out the door, we continue to improve our ability to go after the funds once we realize the money is gone. I mentioned to you last year that, by joining the Federal Treasury Offset Program or "TOPS," we began to recoup improperly collected unemployment insurance payments by seizing refunds due on federal income taxes.

Since May of 2013, that program has enabled us to recover \$73.5 million.

We also plan to renew our efforts to go after employers who owe back taxes since the program was stalled last year following a collection of nearly \$6 million in just one month. The garnishment program, which allows us to go after money owed by employers with state contracts, has been covered by a bill recently passed by the Legislature _ thank you

At this time, I'd like to again thank the Committee for this opportunity to talk about the Department.

I would be happy to answer any questions the Committee has for me.

Thank you.



New Jersey Labor Commissioner Harold J. Wirths (2nd left) testifies before the New Jersey Senate Budget Committee. Commissioner Wirths is seated with members of his executive staff (left to right), Chief Financial Officer Joseph Latoof, Deputy Commissioner Aaron Fichtner and Assistant Commissioner Ronald Marino.